

Message Text

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PAGE 01 ROME 04532 182217Z
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UNCLAS ROME 4532

E.O. 11652: N/A
TAGS: ECON, IT
SUBJ: PHARMACEUTICAL PRICE CONTROLS

REF: STATE 45799 B. 75 NAPLES 1365

1. REPRESENTATIVES OF LEPETIT (THE ITALIAN SUBSIDIARY OF DOW CHEMICALS), PFIZER, AND ELI LILLY HAVE, AT DIFFERENT TIMES IN THE RECENT PAST, CALLED ON THE EMBASSY TO EXPRESS CONCERN OVER THE DIFFICULTU SITUATION EXISTING IN ITALY BECUASE OF THE "FREEZE" OF THE RETAIL PRICES OF PHARMACEUTICALS, WHILE THE COSTS OF LABOR AND OF RAW MATERIALS RISE RAPIDLY.

2. AS POINTED OUT IN REF B AND PREVIOUS REPORTS ON THE SAME SUBJECT, THIS SITUATION AND THE SLOW PAYMENT OF STATE HOSPITALS WERE AMONG THE CAUSES OF RICHARDSON-MERRELL'S PROBLEMS AND, ULTIMATELY, THE SALE OF ITS PHARMACEUTICAL PLANT IN NAPLES.

3. FOR SEVERAL YEARS GOI HAS BEEN AWARE OF THE NEED TO REVISE RETAIL PHARMACEUTICAL PRICES AND, FINALLY, ON DECEMBER 17, 1976, CIPE (THE INTERMINISTERIAL ECONOMIC PROGRAMMING COMMITTEE) APPROVED A METHOD FOR PERIODIC PRICE REVISIONS BASED ON CURRENT PRODUCTION AND DISTRIBUTION COSTS AS WELL AS ON THE COST OF RESEARCH, ROYALTIES ON TRADE MARKS, GOOD WILL, ETC. CIPE ALSO DECIDED THAT ADOPTION OF THIS NEW METHOD WAS CONDITIONAL UPON (1)
UNCLASSIFIED

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PAGE 02 ROME 04532 182217Z

ABOLITION OF THE 19 PERCENT DISCOUNT (BASED ON RETAIL PRICES) THAT PHARMACEUTICAL MANUFACTURERS ARE NOW REQUIRED TO EXTEND TO HEALTH INSURANCE AGENCIES, WHICH PAY FOR MEDICINES DISTRIBUTED FREE OF CHARGE TO BENEFICIARIES OF HEALTH INSURANCE; AND (2) ESTABLISHMENT OF THE SO-CALLED "TICKET" SYSTEM TO OFFSET, AT LEAST IN PART, THE LOSS OF REVENUE RESULTING FROM ABOLITION OF THE DISCOUNT AND TO DISCOURAGE WASTEFUL USE OF MEDICINES. THE

"TICKET" SYSTEM REQUIRES PAYMENT OF A PORTION, TO BE DETERMINED BY CIPE, OF THE RETAIL PRICE OF THE LESS ESSENTIAL PHARMACEUTICALS BY BENEFICIARIES OF PUBLIC HEALTH INSURANCE.

4. ON MARCH 4, THE COUNCIL OF MINISTERS APPROVED THE "HEALTH-REFORM LAW" PROVIDING FOR, AMONG OTHER THINGS, INTRODUCTION OF THE "TICKET" SYSTEM, BEGINNING JULY 1, 1977. FAILURE TO INCLUDE IN THIS LAW THE NEW METHOD OF PRICE REVISION AND ABOLITION OF THE DISCOUNT CAUSED SERIOUS CONCERN IN LOCAL PHARMACEUTICAL CIRCLES. IT WAS FEARED PARTICULARLY THAT REVISION OF PHARMACEUTICAL PRICES, SO CLOSELY LINKED WITH THE "TICKET" SYSTEM AND ABOLITION OF THE DISCOUNT, MIGHT BE POSTPONED INDEFINITELY. AN ADDITIONAL CAUSE OF CONCERN WAS THE OPPOSITION TO THE "TICKET" SYSTEM VOICED BY THE TRADE UNIONS AND THE POSSIBILITY THAT SUCH OPPOSITION MIGHT RECEIVE ENOUGH POLITICAL SUPPORT TO CAUSE THE "TICKET" SYSTEM TO BE ELIMINATED WHEN THE "HEALTH-REFORM LAW" IS SUBMITTED TO PARLIAMENT FOR RATIFICATION.

5. ON THE OTHER HAND, GOVERNMENT SOURCES CONSULTED BY THE EMBASSY EXPRESSED THE VIEW THAT IT IS ENTIRELY POSSIBLE THAT BOTH PRICE REVISION AND ABOLITION OF THE DISCOUNT MAY BE PUT INTO EFFECT SIMULTANEOUSLY WITH THE "TICKET" SYSTEM, AS ORIGINALLY DECIDED BY CIPE; I.E., BY JULY 1, 1977.

6. OUR GOI CONTACTS CONFIRMED THAT FOR SOME TIME THE EEC HAS BEEN CONTESTING ITALY'S PHARMACEUTICAL-PRICE POLICY ESPECIALLY BECAUSE OF ITS CONSEQUENCES ON TRADE. OUR CONTACTS ALSO INFORMED US THAT THIS SUBJECT WAS TAKEN UP ON MARCH 8, 1977, IN BRUSSELS WITH ITALIAN MINISTER OF FOREIGN AFFAIRS FORLANI BY EEC
UNCLASSIFIED

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PAGE 03 ROME 04532 182217Z

COMMISSIONER DAVIGNON AND THAT FORLANI PROMISED TO URGE EARLY AND CAREFUL CONSIDERATION OF THE EEC NOTE.BEAUDRY

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